HB 24-1052

Legislative Council Staff

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Revised Fiscal Note

(replaces fiscal note dated January 16, 2024)

Drafting Number:	LLS 24-0392	**Date:**	April 17, 2024
Prime Sponsors:	Rep. Weissman; Marshall Sen. Kolker; Hansen	**Bill Status:**	House Appropriations
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Bill Topic: **SENIOR HOUSING INCOME TAX CREDIT**

Summary of Fiscal Impact:

☒ State Revenue ☐ State Transfer ☒ Local Government
☒ State Expenditure ☒ TABOR Refund ☐ Statutory Public Entity

For tax year 2024 only, the bill reinstates a refundable income tax credit for senior taxpayers with incomes up to $75,000 who have not claimed a homestead property tax exemption. The bill decreases state revenue in tax year 2024 and increases state expenditures in FY 2024-25 only.

Appropriation Summary: For FY 2024-25, the bill requires an appropriation of $113,407 to the Department of Revenue.

Fiscal Note Status: The fiscal note reflects the introduced bill, as amended by the House Finance Committee. The bill was recommended by the Legislative Oversight Committee Concerning Tax Policy.

Table 1
State Fiscal Impacts Under HB 24-1052

		Current Year FY 2023-24	Budget Year FY 2024-25	Out Year FY 2025-26
Revenue	General Fund	($37,400,000)	($37,400,000)	-
Expenditures	General Fund	-	$113,407	-
Transfers		-	-	-
Other Budget Impacts	TABOR Refunds[1]	($37,400,000)	($37,400,000)	-

[1] In addition to reducing revenue subject to TABOR, the bill will also shift the refund mechanisms used by a small amount. Specifically, reimbursement to local governments for homestead exemptions will be reduced by about $267,000 in FY 2024-25 and instead be made via another refund mechanism. See Other Budget Impacts section for more detail.

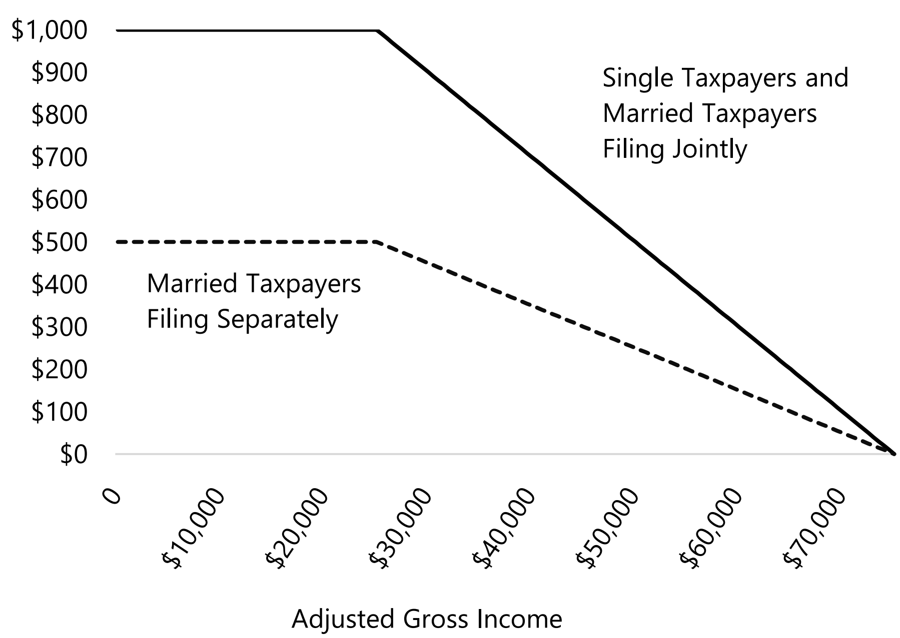
HB 24-1052

Summary of Legislation

For income tax year 2024, the bill creates a means-tested, refundable income tax credit available to Colorado taxpayers who are at least 65 years old as of the end of the tax year, whose adjusted gross income falls below a cap, and who have not claimed a homestead property tax exemption for the 2024 property tax year. The amount of the credit depends on income and taxpayer filing status. For taxpayers with income up to $25,000, the maximum credit amount is $1,000. For taxpayers who may file jointly but choose to file separately, the maximum credit amount is $500 each. For every $500 of income above the specified income threshold for each type of taxpayer, the credit is reduced by $10 ($5 for married taxpayers filing separately). The amount by which the credit exceeds a taxpayer’s income tax liability is refunded to the taxpayer. Regardless of income, a taxpayer who also qualifies for the property tax, rent, heat rebate during 2024 is eligible to receive the maximum credit.

Figure 1 shows credit values expected for tax year 2024 by taxpayer adjusted gross income. The credit falls to $0 for filers with incomes of $75,000 or above

Figure 1
2024 Credit Amounts Under HB 24-1052



Background

2022 senior housing income tax credit. For tax year 2022 only, House Bill 22-1205 created a refundable, means-tested income tax credit for taxpayers aged 65 and over, whose adjusted gross income fell below a cap, and who have not claimed a homestead property tax exemption for the 2022 property tax year. Through October 10, 2023, preliminary data indicated that 89,574 credits totaling $70 million had been claimed for the 2022 tax year.

Senior PTC rebates. Under current law, Colorado residents who are at least 65 years old are eligible for a property tax and rent assistance rebate grant and a heat and fuel expenses rebate grant, commonly known as PTC rebates, if their income falls below a certain threshold. Income is measured as total income from all sources and is not the same as a taxpayer's adjusted gross income. To be eligible to claim a rebate in 2024, the maximum income for individuals in 2023 is $18,026 and for married couples is $24,345. The 2023 income level at which the maximum rebate amount begins to decrease is $9,692 for individuals and $15,668 for married couples. Rebates and income thresholds are adjusted annually for inflation. The amount of the 2024 rebates for property tax or rent and heat combined ranges from $374 to $1,112.

Senior homestead exemption. The senior homestead exemption reduces the actual value of a qualifying home for property taxation by 50 percent, up to a maximum of $100,000. To qualify for the senior homestead exemption, a taxpayer must be at least 65 years old as of January 1 of the tax year and must have occupied his or her home as a primary residence for at least 10 years. The state is required to reimburse local governments for the revenue reduction attributable to these exemptions. These reimbursements are made as expenditures from the state General Fund via the Department of the Treasury. Reimbursements to local governments for the property tax exemptions are the first of three TABOR refund mechanisms under current law. Applications for a senior homestead exemption must be made before July 15th of the property tax year, and once approved, seniors need not apply again unless ownership or occupancy changes.

Assumptions

Population. Based on State Demography Office estimates of the number of senior households, preliminary data from the Department of Revenue (DOR) on the senior housing tax credits claimed in tax year 2022, and the senior taxpayer population by filer type, as well as the Legislative Council Staff March 2024 inflation and homestead exemption forecasts, the fiscal note assumes a population of approximately 98,000 taxpayers claiming the income tax credit for tax year 2024. Of this population, 58,000 are assumed to be single filers with incomes below $75,000; 32,000 are assumed to be joint filers with incomes below $150,000; and 8,000 are assumed to be recipients of PTC rebates. As DOR data on joint-filing seniors includes those in which the primary filer and/or spouse is 65 years or older, the fiscal note assumes that all joint filers are in households with two senior members.

Credit amounts. For tax year 2024, up to 49,800 taxpayers are expected to claim $1,000 credits, reducing state income tax revenue by $49.8 million. It is expected that 47,900 taxpayers will claim partial credits worth between $10 and $990, reducing state income tax revenue by $25.0 million. Across all groups, a total revenue impact of $74.7 million is estimated for tax year 2024. This impact is accrued evenly across FY 2023-24 and FY 2024-25.

State Revenue

Based on the assumptions and estimates above, the bill is expected to decrease state General Fund revenue by $37.4 million in FY 2023-24 and $37.4 million in FY 2024-25. The estimates represent half-year impacts for tax year 2024 on an accrual accounting basis. The bill reduces individual income tax revenue, which is subject to TABOR.

State Expenditures

The bill increases General Fund expenditures in the DOR by $113,407 in FY 2024-25 only. Workload will also minimally increase in the Department of Local Affairs. These costs are shown in Table 2 and detailed below.

Table 2
Expenditures Under HB 24-1052

	FY 2024-25	FY 2025-26
Computer Programming and Testing	$106,651	-
Document Management	$6,756	-
Total Costs	**$113,407**	**-**

Department of Revenue. The DOR will have increased expenditures to implement the reinstated tax credit and to process and review returns claiming the tax credit as follows:

- **Computer programming and testing.** For FY 2024-25 only, the DOR will have one-time costs of $106,651 for computer programming and testing. Programming costs are estimated at $46,350 representing 200 hours of contract programming at a rate of $231.75 per hour. Costs for testing to ensure that programming changes are functioning properly are estimated at $60,301, representing 1,135 hours for the Innovation, Strategy, and Delivery section in the Executive Director's Office at $35 per hour and 643 hours of user acceptance testing at a rate of $32 per hour.
- **Tax form changes.** For FY 2024-25 only, the bill requires $6,756 in expenditures to implement tax form changes and document management. These expenditures will take place in the Department of Personnel and Administration using reappropriated funds from the DOR.

Department of Local Affairs. Workload in the department's Division of Property Taxation (DPT) will increase to update procedures, forms, and manuals, and to adjust training materials and answer questions from taxpayers. Workload in DPT will also increase to provide the reports required by the bill. This workload increase is expected to be accomplished within existing appropriations.

Other Budget Impacts

TABOR refunds. The bill is expected to decrease TABOR refunds and shift some refunds between refund mechanisms, as described below.

- **Reduction in TABOR refunds.** The bill is expected to decrease the amount of state revenue required to be refunded to taxpayers by $37.4 million per year in the current FY 2023-24 and in FY 2024-25. This estimate assumes the March 2024 LCS revenue forecast. Because TABOR refunds are paid from the General Fund, decreased General Fund revenue will lower the TABOR refund obligation, but result in no net change to the amount of General Fund otherwise available to spend or save.

- **Senior homestead exemptions.** The fiscal note assumes that about 10 percent of seniors newly eligible for the senior homestead exemption will instead claim the income tax credit under the bill, with minimal numbers of those already claiming the senior homestead exemption switching to the income tax credit under the bill. In FY 2024-25, this will reduce reimbursements to local governments for their property tax loss attributable to the senior homestead exemption for property tax year 2024 by $267,000. The change in reimbursements assumes an estimated average exemption amount of $574 and 4,650 new senior homestead exemptions in 2024. Because reimbursements to local governments for the homestead exemptions is the first method of issuing TABOR refunds, this decrease in reimbursements will increase the amount of money set aside for TABOR refunds through other mechanisms in FY 2024-25. Under current law, this money will instead be refunded via the six-tier sales tax refund mechanism.

Local Government

Local government revenue is not expected to change on net; however, local government revenue from property taxes will increase, while revenue from state disbursements will decrease. By default, both sources of revenue are subject to local government TABOR limits. For jurisdictions where voters have exempted one of these sources of revenue, but not the other, local obligations for TABOR refunds may increase or decrease.

Effective Date

The bill takes effect 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed.

State Appropriations

For FY 2024-25, the bill requires a General Fund appropriation of $113,407 to the Department of Revenue, of which $6,756 is reappropriated to the Department of Personnel and Administration.

State and Local Government Contacts

Local Affairs Property Tax Division	Personnel	Revenue

The revenue and expenditure impacts in this fiscal note represent changes from current law under the bill for each fiscal year. For additional information about fiscal notes, please visit: leg.colorado.gov/fiscalnotes.